

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Eau Claire	County Berrien
Fiscal Year End February 28, 2007	Opinion Date May 28, 2007	Date Audit Report Submitted to State June 15, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

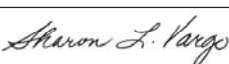
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number 269-982-8000		
Street Address 511 Renaissance Drive, Suite 120		City St. Joseph	State MI	Zip 49085
Authorizing CPA Signature 		Printed Name Sharon L. Vargo		License Number 1101010413

Village of Eau Claire, Michigan

**Financial Report
with Supplemental Information
February 28, 2007**

Village of Eau Claire, Michigan

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Independent Auditor's Report

To the Village Council
Village of Eau Claire, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Eau Claire, Michigan as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Eau Claire, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Eau Claire, Michigan as of February 28, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

May 24, 2007

Village of Eau Claire, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the Village of Eau Claire, Michigan's (the "Village") financial performance provides an overview of the Village's financial activities for the fiscal year ended February 28, 2007. Please read it in conjunction with the Village's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended February 28, 2007:

- State-shared revenue, the Village's second largest revenue source, remained approximately the same this year compared to fiscal year 2006.
- The Village expended \$37,800 on new street construction.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds. The fiduciary fund statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

Village of Eau Claire, Michigan

Management's Discussion and Analysis (Continued)

The Village as a Whole

The following table shows, in a comparative, condensed format, the net assets as of February 28, 2007, 2006, and 2005:

	Governmental Activities			Business-type Activities			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Assets									
Current assets	\$ 400,681	\$ 410,373	\$ 434,938	\$ 215,818	\$ 189,548	\$ 263,819	\$ 616,499	\$ 599,921	\$ 698,757
Noncurrent assets	224,277	197,954	168,868	459,300	375,605	284,854	683,577	573,559	453,722
Total assets	624,958	608,327	603,806	675,118	565,153	548,673	1,300,076	1,173,480	1,152,479
Liabilities									
Current liabilities	14,561	13,798	23,702	79,796	1,394	1,579	94,357	15,192	25,281
Long-term liabilities	1,592	3,030	2,238	-	-	-	1,592	3,030	2,238
Total liabilities	16,153	16,828	25,940	79,796	1,394	1,579	95,949	18,222	27,519
Net Assets									
Invested in capital assets - Net									
of related debt	224,277	197,954	156,211	459,300	375,605	284,854	683,577	573,559	441,065
Restricted	76,593	124,225	119,916	-	-	-	76,593	124,225	119,916
Unrestricted	307,935	269,320	301,739	136,022	188,154	262,240	443,957	457,474	563,979
Total net assets	<u>\$ 608,805</u>	<u>\$ 591,499</u>	<u>\$ 577,866</u>	<u>\$ 595,322</u>	<u>\$ 563,759</u>	<u>\$ 547,094</u>	<u>\$ 1,204,127</u>	<u>\$ 1,155,258</u>	<u>\$ 1,124,960</u>

The Village's combined net assets increased 4 percent from a year ago - increasing from \$1,155,258 to \$1,204,127. As we look at the governmental activities separately from the business-type activities, we can see that governmental activities net assets increased 3 percent, from \$591,499 to \$608,805, while business-type activities increased 6 percent, from \$563,759 to \$595,322.

Village of Eau Claire, Michigan

Management's Discussion and Analysis (Continued)

The following table shows, in a comparative, condensed format, the changes in net assets during the years ended February 28, 2007, 2006, and 2005:

	Governmental Activities			Business-type Activities			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Revenue									
Program revenue:									
Charges for services	\$ 5,673	\$ 8,743	\$ 10,950	\$ 145,885	\$ 145,964	\$ 154,468	\$ 151,558	\$ 154,707	\$ 165,418
Operating grants and contributions	53,145	54,087	57,689	-	-	8,969	53,145	54,087	66,658
General revenue:									
Property taxes	169,978	163,449	164,478	-	-	-	169,978	163,449	164,478
State-shared revenue	77,314	77,930	78,815	-	-	-	77,314	77,930	78,815
Unrestricted interest income	14,860	12,862	4,924	6,187	7,351	3,430	21,047	20,213	8,354
Miscellaneous	13,286	12,351	15,302	-	-	-	13,286	12,351	15,302
Total revenue	334,256	329,422	332,158	152,072	153,315	166,867	486,328	482,737	499,025
Program Expenses									
General government	101,105	121,178	89,022	-	-	-	101,105	121,178	89,022
Public safety	85,895	97,294	83,225	-	-	-	85,895	97,294	83,225
Public works	104,928	69,444	70,153	-	-	-	104,928	69,444	70,153
Recreation and culture	25,022	27,873	19,841	-	-	-	25,022	27,873	19,841
Water, sewer, and sanitation	-	-	-	120,509	136,650	131,401	120,509	136,650	131,401
Total program expenses	316,950	315,789	262,241	120,509	136,650	131,401	437,459	452,439	393,642
Change in Net Assets	\$ 17,306	\$ 13,633	\$ 69,917	\$ 31,563	\$ 16,665	\$ 35,466	\$ 48,869	\$ 30,298	\$ 105,383

Village of Eau Claire, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

- A property tax levy for 2006 was approved by the Village Council during the May 2006 council meeting at a combined general and streets millage rate of 15.5433.
- With approximate revenue of \$170,000 (assuming 100 percent collection), this would be an increase of approximately 3 percent over the same revenue source from 2006.
- The Village paid Fleis & Vandenbrink approximately \$38,000 for the construction of Aubill Drive to Aumack.
- The Village purchased a DVD video camera system for a public safety vehicle for approximately \$5,000.

Business-type Activities

During the year, the Village Council approved the following project related to the water and sewer departments. Approval and allocation of funds for the project were as follows:

- \$179,000 of construction work by Fleis & Vandenbrink for the new well house renovations

General Fund Budgetary Highlights

The General Fund pays for most of the Village's governmental services. The primary services provided include police and fire services, administrative services, public services, and parks and recreation.

As shown in the required supplemental information, the Village budgeted operational expenditures of \$230,219. Actual expenditures ended up less than budget by \$15,338. The significant budget-to-actual differences were a result of the Village estimating the building and administration department expenditures higher than required.

Economic Factors and Next Year's Budgets and Rates

The Village's fiscal year 2008 budget anticipates state-shared revenue consistent with fiscal year 2007. Current economic conditions in the state of Michigan have put statutory revenue sharing at risk of being reduced. The Council has adopted a conservative budget that retains current fund balance, but also facilitates community priorities and quality services.

The Village plans to complete work on the pump house modifications estimated to cost \$60,000.

Village of Eau Claire, Michigan

Management's Discussion and Analysis (Continued)

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Village of Eau Claire, Michigan

Statement of Net Assets February 28, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 364,787	\$ 188,467	\$ 553,254
Receivables:			
Property taxes receivable	13,114	-	13,114
Receivables from sales to customers on account	-	27,351	27,351
Due from other governmental units	22,780	-	22,780
Capital assets (Note 4)	224,277	459,300	683,577
Total assets	624,958	675,118	1,300,076
Liabilities			
Accounts payable	5,930	79,796	85,726
Accrued liabilities and other	5,131	-	5,131
Noncurrent liabilities (Note 6):			
Due within one year - Compensated absences	3,500	-	3,500
Due in more than one year - Compensated absences	1,592	-	1,592
Total liabilities	16,153	79,796	95,949
Net Assets			
Invested in capital assets - Net of related debt	224,277	459,300	683,577
Restricted for streets and highways	76,593	-	76,593
Unrestricted	307,935	136,022	443,957
Total net assets	\$ 608,805	\$ 595,322	\$ 1,204,127

Village of Eau Claire, Michigan

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 101,105	\$ 2,586	\$ -
Public safety	85,895	3,087	-
Public works	104,928	-	53,145
Recreation and culture	25,022	-	-
Total governmental activities	316,950	5,673	53,145
Business-type activities:			
Water Fund	40,068	66,395	-
Waste Water Fund	53,567	51,851	-
Sanitation Fund	26,874	27,639	-
Total business-type activities	120,509	145,885	-
Total primary government	\$ 437,459	\$ 151,558	\$ 53,145
General revenues:			
Property taxes			
State-shared revenue			
Unrestricted investment income			
General revenue			
Total general revenues			
Change in Net Assets			
Net Assets - Beginning of year			
Net Assets - End of year			

Statement of Activities
Year Ended February 28, 2007

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (98,519)	\$ -	\$ (98,519)
(82,808)	-	(82,808)
(51,783)	-	(51,783)
(25,022)	-	(25,022)
(258,132)	-	(258,132)
-	26,327	26,327
-	(1,716)	(1,716)
-	765	765
-	25,376	25,376
(258,132)	25,376	(232,756)
169,978	-	169,978
77,314	-	77,314
14,860	6,187	21,047
13,286	-	13,286
275,438	6,187	281,625
17,306	31,563	48,869
591,499	563,759	1,155,258
\$ 608,805	\$ 595,322	\$ 1,204,127

Village of Eau Claire, Michigan

Governmental Funds Balance Sheet February 28, 2007

	General Fund	Major Streets Fund	Local Streets Fund	Municipal Streets and Sidewalks Fund	Total
Assets					
Cash and cash equivalents (Note 3)	\$ 280,432	\$ 53,537	\$ 863	\$ 8,765	\$ 343,597
Receivables:					
Property taxes receivable	9,367	-	-	3,747	13,114
Due from other governmental units	13,099	7,086	2,595	-	22,780
Total assets	<u>\$ 302,898</u>	<u>\$ 60,623</u>	<u>\$ 3,458</u>	<u>\$ 12,512</u>	<u>\$ 379,491</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 3,242	\$ -	\$ -	\$ -	\$ 3,242
Accrued liabilities and other	5,131	-	-	-	5,131
Total liabilities	8,373	-	-	-	8,373
Fund Balances					
Unreserved, reported in:					
General Fund:					
Designated - Park improvements	93,235	-	-	-	93,235
Undesignated	201,290	-	-	-	201,290
Special Revenue Funds -					
Undesignated	-	60,623	3,458	12,512	76,593
Total fund balances	<u>294,525</u>	<u>60,623</u>	<u>3,458</u>	<u>12,512</u>	<u>371,118</u>
Total liabilities and fund balances	<u>\$ 302,898</u>	<u>\$ 60,623</u>	<u>\$ 3,458</u>	<u>\$ 12,512</u>	<u>\$ 379,491</u>

Village of Eau Claire, Michigan

Governmental Funds **Reconciliation of the Balance Sheet to the Statement of Net Assets** **Year Ended February 28, 2007**

Fund Balance Reported in Governmental Funds	\$ 371,118
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	165,096
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(5,092)
Internal Service Funds are included as part of governmental activities	<u>77,683</u>
Net Assets of Governmental Activities	<u>\$ 608,805</u>

Village of Eau Claire, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended February 28, 2007

	General Fund	Major Streets Fund	Local Streets Fund	Municipal Streets and Sidewalks Fund	Total
Revenue					
Property taxes	\$ 125,933	\$ -	\$ -	\$ 44,045	\$ 169,978
Licenses and permits	2,140	-	-	-	2,140
State-shared revenue and grants	77,314	38,906	14,239	-	130,459
Other charges for services	1,623	-	-	-	1,623
Investment income	10,697	1,961	315	1,877	14,850
Rental income	1,910	-	-	-	1,910
Other revenue	13,086	-	-	-	13,086
Total revenue	232,703	40,867	14,554	45,922	334,046
Expenditures					
General government	99,463	-	-	-	99,463
Public safety:					
Police	82,098	-	-	-	82,098
Inspections	3,381	-	-	-	3,381
Public works	8,683	36,497	86,663	25,815	157,658
Recreation and culture	21,256	-	-	-	21,256
Total expenditures	214,881	36,497	86,663	25,815	363,856
Excess of Revenue Over (Under)					
Expenditures	17,822	4,370	(72,109)	20,107	(29,810)
Other Financing Sources (Uses)					
Transfers in (Note 5)	-	-	57,800	-	57,800
Transfers out (Note 5)	-	-	-	(57,800)	(57,800)
Total other financing sources (uses)	-	-	57,800	(57,800)	-
Net Change in Fund Balances	17,822	4,370	(14,309)	(37,693)	(29,810)
Fund Balances - Beginning of year	276,703	56,253	17,767	50,205	400,928
Fund Balances - End of year	<u>\$ 294,525</u>	<u>\$ 60,623</u>	<u>\$ 3,458</u>	<u>\$ 12,512</u>	<u>\$ 371,118</u>

Village of Eau Claire, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended February 28, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ (29,810)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	42,820
Depreciation expense	(9,524)

Changes in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported in the fund statements until they come due for payment	38
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Internal Service Funds are included as part of governmental activities	<u>13,782</u>
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Change in Net Assets of Governmental Activities	<u>\$ 17,306</u>
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Village of Eau Claire, Michigan

Proprietary Funds Statement of Net Assets February 28, 2007

	Waste Water Fund	Water Fund	Sanitation Fund	Total	Internal Service Fund
Assets					
Current assets:					
Cash and cash equivalents (Note 3)	\$ 53,453	\$ 134,985	\$ 29	\$ 188,467	\$ 21,190
Receivables	9,553	12,192	5,606	27,351	-
Total current assets	63,006	147,177	5,635	215,818	21,190
Noncurrent assets - Capital assets (Note 4)	211,849	247,451	-	459,300	59,181
Total assets	274,855	394,628	5,635	675,118	80,371
Liabilities - Current - Accounts payable	215	79,581	-	79,796	2,688
Net Assets					
Invested in capital assets - Net of related debt	211,849	247,451	-	459,300	59,181
Unrestricted	62,791	67,596	5,635	136,022	18,502
Total net assets	\$ 274,640	\$ 315,047	\$ 5,635	\$ 595,322	\$ 77,683

Village of Eau Claire, Michigan

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Assets

Year Ended February 28, 2007

	Waste Water Fund	Water Fund	Sanitation Fund	Total	Internal Service Fund
Operating Revenue					
Sale of water	\$ -	\$ 66,395	\$ -	\$ 66,395	\$ -
Sewage disposal charges	51,851	-	-	51,851	-
Sanitation charges	-	-	27,639	27,639	-
Charges to other funds	-	-	-	-	42,633
Total operating revenue	51,851	66,395	27,639	145,885	42,633
Operating Expenses					
Cost of water	-	37,725	-	37,725	-
Cost of sewage treatment	39,692	-	-	39,692	-
Other operation and maintenance costs	-	-	-	-	18,970
Cost of sanitation services	-	-	26,874	26,874	-
Depreciation	13,875	2,343	-	16,218	9,891
Total operating expenses	53,567	40,068	26,874	120,509	28,861
Operating Income (Loss)	(1,716)	26,327	765	25,376	13,772
Nonoperating Revenue - Investment income	1,606	4,581	-	6,187	10
Change in Net Assets	(110)	30,908	765	31,563	13,782
Net Assets - Beginning of year	274,750	284,139	4,870	563,759	63,901
Net Assets - End of year	<u>\$ 274,640</u>	<u>\$ 315,047</u>	<u>\$ 5,635</u>	<u>\$ 595,322</u>	<u>\$ 77,683</u>

Village of Eau Claire, Michigan

Proprietary Funds Statement of Cash Flows Year Ended February 28, 2007

	Waste Water Fund	Water Fund	Sanitation Fund	Total	Proprietary - Internal Service Fund
Cash Flow from Operating Activities					
Receipts from customers	\$ 51,442	\$ 65,068	\$ 26,526	\$ 143,036	\$ 200
Payments to suppliers	(20,800)	(18,280)	(25,344)	(64,424)	(13,154)
Payments to employees	(19,415)	(19,452)	(1,661)	(40,528)	(3,672)
Receipts from interfund services and reimbursements	-	-	-	-	40,724
Net cash provided by (used in) operating activities	11,227	27,336	(479)	38,084	24,098
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets	(2,262)	(18,588)	-	(20,850)	(2,918)
Cash Flows from Investment Activities - Interest received	1,606	4,581	-	6,187	10
Net Increase (Decrease) in Cash and Cash Equivalents	10,571	13,329	(479)	23,421	21,190
Cash and Cash Equivalents - Beginning of year	42,882	121,656	508	165,046	-
Cash and Cash Equivalents - End of year	<u>\$ 53,453</u>	<u>\$ 134,985</u>	<u>\$ 29</u>	<u>\$ 188,467</u>	<u>\$ 21,190</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ (1,716)	\$ 26,327	\$ 765	\$ 25,376	\$ 13,772
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	13,875	2,343	-	16,218	9,891
Changes in assets and liabilities:					
Receivables	(409)	(1,327)	(1,113)	(2,849)	-
Accounts payable	(523)	(7)	(131)	(661)	2,144
Due to others	-	-	-	-	(1,709)
Net cash provided by (used in) operating activities	<u>\$ 11,227</u>	<u>\$ 27,336</u>	<u>\$ (479)</u>	<u>\$ 38,084</u>	<u>\$ 24,098</u>

Noncash Investing, Capital, and Financing Activities - During the year ended February 28, 2007, the Waste Water, Water, Sanitation, and Internal Service Funds did not have any noncash activities. There were \$79,063 of capital purchases in accounts payable at year end.

Village of Eau Claire, Michigan

Notes to Financial Statements February 28, 2007

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the Village of Eau Claire, Michigan (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Eau Claire, Michigan:

Reporting Entity

The Village of Eau Claire, Michigan is governed by an elected five-member council. In accordance with accounting principles generally accepted in the United States, there are no component units to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. The Village has chosen to show all its funds as major.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Village of Eau Claire, Michigan

Notes to Financial Statements February 28, 2007

Note I - Nature of Business and Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, if applicable, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village reports the following major governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets Fund - The Major Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

Local Streets Fund - The Local Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

Municipal Streets and Sidewalks Fund - The Municipal Streets and Sidewalks Fund accounts for the resources provided by a tax millage to be used for road and sidewalk construction and repair.

The Village reports the following major proprietary funds:

Waste Water Fund - The Waste Water Fund accounts for the activities of the sewage collection system.

Water Fund - The Water Fund accounts for the activities of the water distribution system.

Sanitation Fund - The Sanitation Fund accounts for the activities of the refuse collection service.

Village of Eau Claire, Michigan

Notes to Financial Statements February 28, 2007

Note I - Nature of Business and Significant Accounting Policies (Continued)

Additionally, the Village reports the following internal service activities:

Internal Service Fund - The Internal Service Fund accounts for major machinery and equipment purchases and maintenance provided to other departments of the Village on a cost reimbursement basis.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's proprietary functions and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Waste Water Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 30, at which time penalties and interest are assessed.

Village of Eau Claire, Michigan

Notes to Financial Statements February 28, 2007

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The 2006 taxable valuation of the Village totaled \$11,130,922, on which taxes levied consisted of 11.5433 mills for operating purposes and 4.0000 mills for street repair and maintenance. This resulted in approximately \$126,000 for operating and \$44,000 for street repair and maintenance. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled interest income from the General Fund, Special Revenue Funds, and Enterprise Funds are generally allocated to each fund using a weighted average.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Capital Assets - Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Roads, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	25 years
Water and sewer systems	15 to 20 years
Buildings and building improvements	50 years
Vehicles	5 to 10 years
Equipment	3 to 25 years

Village of Eau Claire, Michigan

Notes to Financial Statements February 28, 2007

Note I - Nature of Business and Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Village does not have a policy to pay any amounts when employees separate from service with the Village. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Village of Eau Claire, Michigan

Notes to Financial Statements February 28, 2007

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Village oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Village charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at March 1, 2006		\$	(3,641)
Current year permit revenue			1,464
Related expenses:			
Direct costs	\$	1,004	
Estimated indirect costs		<u>2,183</u>	<u>3,187</u>
Current year shortfall			<u>(1,723)</u>
Cumulative shortfall at February 28, 2007		\$	<u>(5,364)</u>

Noncompliance with Legal Provisions - As of the end of the fiscal year, the Village had not adopted an ACH policy, as required by the State of Michigan.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Village has designated two financial institutions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Village's deposits and investment policies are in accordance with statutory authority.

Village of Eau Claire, Michigan

Notes to Financial Statements February 28, 2007

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had approximately \$360,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance March 1, 2006	Additions	Disposals and Adjustments	Balance February 28, 2007
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 30,140	\$ -	\$ -	\$ 30,140
Capital assets being depreciated:				
Roads and sidewalks	35,498	37,800	-	73,298
Buildings and improvements	87,717	-	-	87,717
Vehicles	80,160	-	-	80,160
Office furnishings and equipment	173,907	7,938	(2,765)	179,080
Subtotal	377,282	45,738	(2,765)	420,255
Accumulated depreciation:				
Roads and sidewalks	828	1,420	-	2,248
Buildings and improvements	55,575	1,754	-	57,329
Vehicles	69,216	1,020	-	70,236
Office furnishings and equipment	83,849	15,221	(2,765)	96,305
Subtotal	209,468	19,415	(2,765)	226,118
Net capital assets being depreciated	167,814	26,323	-	194,137
Net capital assets	\$ 197,954	\$ 26,323	\$ -	\$ 224,277

Village of Eau Claire, Michigan

Notes to Financial Statements February 28, 2007

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance March 1, 2006	Additions	Disposals and Adjustments	Balance February 28, 2007
Capital assets not being depreciated - Construction in progress	\$ 54,628	\$ 89,865	\$ -	\$ 144,493
Capital assets being depreciated:				
Water and sewer distribution systems	978,208	10,048	-	988,256
Machinery and equipment	62,653	-	-	62,653
Subtotal	1,040,861	10,048	-	1,050,909
Accumulated depreciation:				
Water and sewer distribution systems	664,345	15,895	-	680,240
Machinery and equipment	55,539	323	-	55,862
Subtotal	719,884	16,218	-	736,102
Net capital assets being depreciated	320,977	(6,170)	-	314,807
Net capital assets	<u>\$ 375,605</u>	<u>\$ 83,695</u>	<u>\$ -</u>	<u>\$ 459,300</u>

Depreciation expense was charged to programs of the Village as follows:

Governmental activities:

General government	\$ 1,680
Public safety	5,436
Public works	8,533
Recreation and culture	3,766
Total governmental activities	<u>\$ 19,415</u>

Business-type activities:

Water	\$ 2,343
Waste water	13,875
Total business-type activities	<u>\$ 16,218</u>

Village of Eau Claire, Michigan

Notes to Financial Statements February 28, 2007

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
Municipal Streets and Sidewalks Fund	Local Streets Fund	<u>\$ 57,800</u>

The transfers from the Municipal Streets and Sidewalks Fund to the Local Streets Fund represent the use of tax revenues to maintain local streets in the Village, in accordance with budgetary authorizations.

Note 6 - Noncurrent Liabilities

The Village grants paid time off to employees for sick and vacation absences. Time is earned and accrued based on the employees' service to the Village.

The liability activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 5,130</u>	<u>\$ -</u>	<u>\$ (38)</u>	<u>\$ 5,092</u>	<u>\$ 3,500</u>

Note 7 - Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village participates in the Michigan Municipal League risk pool for claims relating to all risks.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 8 - Defined Benefit Pension Plan

Plan Description - The Village participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Village of Eau Claire, Michigan

Notes to Financial Statements February 28, 2007

Note 8 - Defined Benefit Pension Plan (Continued)

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by the Village Commission and requires a contribution from the employees of 8.26 percent of gross wages.

Annual Pension Cost - For the year ended February 28, 2007, the Village's annual pension cost of \$14,328 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0 percent to 8.4 percent per year, depending on age, attributable to seniority/merit, and (d) no increase after retirement. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll.

	Fiscal Year Ended February 28		
	2005	2006	2007
Annual pension cost (APC)	\$ 6,317	\$ 14,670	\$ 14,328
Percentage of APC contributed	100.0 %	100.0 %	100 %
Net pension obligation	-	-	-

	Actuarial Valuation as of December 31		
	2003	2004	2005
Actuarial value of assets	\$ 241,602	\$ 240,555	\$ 244,465
Actuarial accrued liability (AAL) (entry age)	\$ 390,155	\$ 406,580	\$ 422,371
Unfunded AAL (UAAL)	\$ 148,553	\$ 166,025	\$ 177,906
Funded ratio	61.9 %	59.2 %	57.9 %
Covered payroll	\$ 87,963	\$ 95,832	\$ 98,460
UAAL as a percentage of covered payroll	168.9 %	173.2 %	180.7 %

Required Supplemental Information

Village of Eau Claire, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended February 28, 2007

	Original and Final Budget	Actual	Variance with Amended Budget
Revenue			
Property taxes	\$ 114,000	\$ 125,933	\$ 11,933
Licenses and permits	3,225	2,140	(1,085)
State-shared revenue and grants	79,300	77,314	(1,986)
Other charges for services	60	1,623	1,563
Investment income	6,000	10,697	4,697
Rental income	1,750	1,910	160
Other revenue	10,600	13,086	2,486
Total revenue	214,935	232,703	17,768
Expenditures			
General government:			
Administration	85,923	76,869	9,054
Building	29,201	22,594	6,607
Public safety:			
Police	82,405	82,098	307
Inspections	1,800	3,381	(1,581)
Public works - Street lighting	8,700	8,683	17
Recreation and culture	22,190	21,256	934
Total expenditures	230,219	214,881	15,338
Net Change in Fund Balance	(15,284)	17,822	33,106
Fund Balance - Beginning of year	276,703	276,703	-
Fund Balance - End of year	<u>\$ 261,419</u>	<u>\$ 294,525</u>	<u>\$ 33,106</u>

Village of Eau Claire, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended February 28, 2007

	Original and Final Budget	Actual	Variance with Amended Budget
Revenue			
State-shared revenue and grants	\$ 36,000	\$ 38,906	\$ 2,906
Investment income	-	1,961	1,961
Total revenue	36,000	40,867	4,867
Expenditures - Public works			
Routine maintenance	57,350	33,061	24,289
Winter maintenance	1,165	387	778
Administration	3,263	3,049	214
Total expenditures	61,778	36,497	25,281
Net Change in Fund Balance	(25,778)	4,370	30,148
Fund Balance - Beginning of year	56,253	56,253	-
Fund Balance - End of year	<u>\$ 30,475</u>	<u>\$ 60,623</u>	<u>\$ 30,148</u>

Village of Eau Claire, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended February 28, 2007

	Original and Final Budget	Actual	Variance with Amended Budget
Revenue			
State-shared revenue and grants	\$ 13,000	\$ 14,239	\$ 1,239
Investment income	-	315	315
Total revenue	13,000	14,554	1,554
Expenditures - Public works			
Street construction	38,000	37,800	200
Routine maintenance	32,970	45,859	(12,889)
Winter maintenance	750	-	750
Administration	3,230	3,004	226
Total expenditures	74,950	86,663	(11,713)
Excess of Expenditures Over Revenue	(61,950)	(72,109)	(10,159)
Other Financing Sources - Transfers in	46,000	57,800	11,800
Net Change in Fund Balance	(15,950)	(14,309)	1,641
Fund Balance - Beginning of year	17,767	17,767	-
Fund Balance - End of year	<u>\$ 1,817</u>	<u>\$ 3,458</u>	<u>\$ 1,641</u>

Village of Eau Claire, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Municipal Streets and Sidewalks Fund Year Ended February 28, 2007

	Original and Final Budget	Actual	Variance with Budget
Revenue			
Property taxes	\$ 46,000	\$ 44,045	\$ (1,955)
Investment income	-	1,877	1,877
Total revenue	46,000	45,922	(78)
Expenditures - Public works			
Routine maintenance	11,800	21,215	(9,415)
Administration	5,360	4,600	760
Total expenditures	17,160	25,815	(8,655)
Excess of Revenue Over Expenditures	28,840	20,107	(8,733)
Other Financing Uses - Transfers out	(46,000)	(57,800)	(11,800)
Net Change in Fund Balance	(17,160)	(37,693)	(20,533)
Fund Balance - Beginning of year	50,205	50,205	-
Fund Balance - End of year	<u>\$ 33,045</u>	<u>\$ 12,512</u>	<u>\$ (20,533)</u>

Village of Eau Claire, Michigan

Note to Required Supplemental Information Year Ended February 28, 2007

Note - Budgetary Information

Budgetary Information - Annual budgets are prepared by the finance committee on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds and adopted by the Village Council. Subsequent amendments, if any, are approved by the Village Council. The budget was not amended during the year ended February 28, 2007.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the Village Council is the department level.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Village incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual
Local Streets Fund - Routine maintenance	\$ 32,970	\$ 45,859
Municipal Streets and Sidewalks Fund:		
Routine maintenance	11,800	21,215
Transfers out	46,000	57,800



May 24, 2007

To the Village Council
Village of Eau Claire

Dear Council Members:

In planning and performing our audit of the financial statements of Village of Eau Claire as of and for the year ended February 28, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Segregation of Duties

Control over cash receipts transactions is limited because of insufficient segregation of duties. The same individual accepts cash receipts, records cash receipts, prepares bank deposits, and makes bank deposits. A second individual does receive the bank statements and prepares the bank reconciliations, adding a level of control.

General Ledger

In the general ledger maintained by the Village, the balance sheet is not segregated into the various funds. Generally accepted accounting principles requires each fund of the Village to have its own balance sheet. Accounts like cash, accounts receivable, property taxes receivable, and accounts payable are not segregated in the general ledger.

Similarly, the Equipment Fund, a legally separate fund of the Village, is shown within the General Fund activity in the general ledger. The operating results of the fund are difficult to determine within the current ledger.

Other Matters

Pay Rate Approval

When the Village Council approves pay rate increases, an “across the board” rate increase is generally approved and documented. In order to maintain internal accountability and strong controls, we recommend detail of these increases, by individual, be maintained in respective personnel files. This would permit an easy review of an employee’s pay history and current approved rates. When a pay adjustment is approved, a member of the Village Council should then sign off on the new rate within each file. This would further strengthen controls over the payroll process.

Electronic Transfers

There was a new bill passed and signed on December 31, 2002 (PA 738) that requires all local units of government to approve a resolution authorizing payments of “automated clearing house (ACH) transactions.” A local unit’s governing body must adopt a policy on ACH arrangement that includes all of the following:

- Designation of an individual as the party responsible for payment approval, accounting, reporting, and compliance with the ACH policy
- A statement that this individual is required to submit documentation as follows: describe goods or services purchased, the cost, date of payment, and the department benefiting from the purchase
- A system of internal controls to monitor the use of ACH transactions
- The approval of ACH invoices before payment

We appreciate the courtesy and cooperation extended to us by you during the audit. We appreciate the opportunity to present these recommendations for your consideration and would be pleased to discuss them further at your convenience.

This communication is intended solely for the information and use of management, the finance committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Sharon L. Vargo